

PC&IM Policy Alert No. 01-02 has been revised and is retransmitted for your information. The revised language is shown in green bold.

10/19/01

PC&IM POLICY ALERT
No. 01-02/Rev 001
Profit Incentives to Produce Innovative New Technologies

REFERENCE: Federal Register: December 13, 2000 (Vol. 65, No. 240)

DFARS Change Notice: 20001213
DFARS Case: 2000-D300

TYPE OF RULE: Final

EFFECTIVE DATE: December 13, 2000

SUMMARY: This final rule amends the weighted guidelines method of profit computation at DFARS 215.404-71 to (1) combine the management and cost control elements of the performance risk factor, (2) to establish a new "technology incentive" range for technical risk, and (3) to slightly modify some of the cost control standards. In addition, the rule amends DFARS 215.404-4(b) to clarify that DoD must use a structured approach for developing a prenegotiation profit or fee objective on any negotiated contract action when cost or pricing data is obtained.

ACTION REQUIRED: Contracting officers may use the "technology incentive range" for acquisitions that include development, production, or application of innovative new technologies. DFARS promotes the use of the "technology incentive range" only for

the most innovative contract efforts. Innovation may be in the form of (1) development or application of new technology that fundamentally changes the characteristics of an existing product or system and that results in increased technical performance, improved reliability, or reduced costs or (2) new products or systems that contain significant technological advances over the products or systems they are replacing. **This change applies to all contractor proposals received on or after 13 December 2000 as well as any proposal not definitized by 12 December 2000.** The revised DFARS language can be accessed at <http://web2.deskbook.osd.mil/default.asp>.

The new DD Form 1547, Record of Weighted Guidelines Application (dated JAN 2001), has been issued. It incorporates the revised DFARS language and is available in Adobe PDF at: <http://web2.deskbook.osd.mil/appfiles/RLIB1521.PDF>. The form can also be accessed locally in the TMA-A FormFlow. Previous editions of DD Form 1547 are obsolete.

You may direct comments/questions on this Policy Alert to Kristine Hostetler at 303 676 3585 or Nancy Olander at 303 676 3985.